

HOUSE BILL NO. 84

1/07 Introduced
1/07 Referred to State Administration
1/10 Fiscal Note Requested
1/17 Fiscal Note Received
Died in Committee

1 HOUSE BILL NO. 84
 2 INTRODUCED BY HARPER
 3
 4 A BILL FOR AN ACT ENTITLED: "AN ACT PROVIDING A
 5 COST-OF-LIVING INCREASE IN SERVICE AND DISABILITY RETIREMENT
 6 ALLOWANCES AND SURVIVORSHIP ALLOWANCES FOR CERTAIN MEMBERS
 7 OF THE PUBLIC EMPLOYEES' RETIREMENT SYSTEM AND THEIR
 8 BENEFICIARIES; PROVIDING FUNDING FOR THE BENEFIT INCREASE
 9 THROUGH EMPLOYER CONTRIBUTIONS; AMENDING SECTION 19-3-801,
 10 MCA; AND PROVIDING AN EFFECTIVE DATE."

11
 12 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:
 13 NEW SECTION. Section 1. Cost-of-living increase.
 14 Effective July 1, 1985, each monthly service or disability
 15 retirement allowance or survivorship allowance payable to a
 16 member of the public employees' retirement system retired
 17 before July 1, 1984, or his beneficiary must be increased as
 18 follows:

19 (1) \$1 for each year of creditable service, up to a
 20 maximum of \$30, for a member or beneficiary receiving a
 21 monthly allowance of \$1,000 or more exclusive of the
 22 increase provided in this subsection;

23 (2) \$2 for each year of creditable service, up to a
 24 maximum of \$60, for a member or beneficiary receiving a
 25 monthly allowance of more than \$500 but less than \$1,000

1 exclusive of the increase provided in this subsection; and
 2 (3) \$3 for each year of creditable service, up to a
 3 maximum of \$90, for a member or beneficiary receiving a
 4 monthly allowance of \$500 or less exclusive of the increase
 5 provided in this subsection.

6 Section 2. Section 19-3-801, MCA, is amended to read:
 7 "19-3-801. Employer contribution rates -- actuarial
 8 determination. (1) Each employer shall contribute to the
 9 cost of benefits under the system. The amount of the
 10 employer contributions shall be computed by applying to
 11 member's compensation the sum of the current service
 12 contribution rate and the unfunded liability contribution
 13 rate. The sum of these rates shall be ~~6-417%~~ 6.667% from
 14 July 1, ~~1983~~ 1985, and thereafter.

15 (2) The actuary shall determine the current service
 16 contribution rate to be that level percentage of the present
 17 value of the future compensation of the average new member
 18 entering the system which equals the then present value of
 19 the excess of all prospective benefits in respect of such
 20 member over the member's own normal contributions.

21 (3) The actuary shall determine the minimum unfunded
 22 liability contribution rate to be that level percentage of
 23 the present value of the prospective compensation of all
 24 members for the 40-year period following the date of the
 25 determination which is equal to the unfunded liability on

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1 that date. The unfunded liability at any time is the excess
2 of the present value of all future benefits payable in
3 respect of all persons then entitled to benefits under the
4 system over the sum of the retirement fund and the present
5 values of the future current service contributions and
6 normal contributions payable in respect of all such
7 persons."

8 NEW SECTION. Section 3. Effective date. This act is
9 effective July 1, 1985.

-End-

STATE OF MONTANA
FISCAL NOTE

REQUEST NO. FNN 066-85

Form BD-15

In compliance with a written request received January 10, 19 85, there is hereby submitted a Fiscal Note for H.B. 84 pursuant to Title 5, Chapter 4, Part 2 of the Montana Code Annotated (MCA). Background information used in developing this Fiscal Note is available from the Office of Budget and Program Planning, to members of the Legislature upon request.

DESCRIPTION OF PROPOSED LEGISLATION:

House Bill 84 provides for a cost-of-living increase to all PERS benefit recipients and includes criteria for calculating benefit increases.

ASSUMPTIONS:

Assume 61% of personnel costs for state government is funded from the General Fund. Assumed salary adjustments of 5.27%/year and annual benefit adjustments of 12.8%/year are based on the experience of the actuarial valuation as of July 1, 1984 and include both state and local personal services increases. This is an average of salary adjustments for all participants over the previous two years. The state salary increase for FY 1984 was 4% overall.

FISCAL IMPACT:

	<u>FY 86</u>	<u>FY 87</u>		<u>FY 86</u>	<u>FY 87</u>
Employer Contributions			Annual PERS Benefits		
Under Current Law	\$28,102,847	\$29,564,195	Under Current Law	\$32,519,197	\$36,447,516
Under Proposed Law	29,197,706	30,715,987	Under Proposed Law	37,195,312	41,047,516
Estimated Increase	\$ 1,094,859	\$ 1,151,792		\$ 4,676,115	\$ 4,600,000

The average cost to provide benefits to PERS recipients is \$17.25/year of service. This COLA will increase the per year cost approximately \$2.80/year of service. The increased costs for state and local governments (\$1,094,859 and \$1,151,792 for FY 86 and FY 87 respectively) will continue for 40 years, and will increase with each salary adjustment over that time period. The states share of the increased cost will be \$583,451 for FY 86 and \$613,790 for FY 87. Of these amounts approximately 61% will be expenditures from the General Fund or \$355,905 for FY 86 and \$374,412 for FY 87.

David L Hunter

BUDGET DIRECTOR
Office of Budget and Program Planning

Date: JAN 16, 1985

LONG RANGE IMPACT:

Expenditures for this bill for both state and local government will continue for the next 40 years and will increase each year in direct relationship to salary increases.

Benefit increases are expected to be greater than revenue increases during the next few years after which benefits will decline while revenues will continue to increase. After 40 years, revenue collected plus investment earnings should equal benefits paid and the increase in employer contribution will no longer be necessary.

LOCAL IMPACT:

	<u>FY 86</u>	<u>FY 87</u>
Counties	\$ 203,315	\$213,888
Cities	111,128	116,907
School Districts	157,660	165,858
Other	<u>39,305</u>	<u>41,349</u>
Total	\$511,408	\$538,002